

# Are Workers Who Misunderstand Their Working Contract Worse Off?

Thomas Breda\*, Vladimir Pecheu†, Baptiste Roux‡

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## Abstract

This paper examines workers' awareness of their contractual working time arrangements and its relation with labour market outcomes. Combining administrative and survey data at the individual level, we construct a new and unique data set which shows that nearly 20% of the workforce mistakenly report that they work under day contracts, with no monitoring of hours, while they are actually paid through a standard hours contract. This reveals that many workers with various profiles may be misinformed about the legal environment governing something as fundamental as their working time. We show that these misreporting workers differ from classic workers in terms of working conditions: they perform more unpaid overtime hours but have a higher wage rate per contractual hour, so that their true compensation per hour worked is similar. This suggests that firms do not comply with formal regulations with uninformed workers but do neither take advantage of their misunderstanding to extract rents. Non compliance seems to operate as an informal arrangement facilitating a gradual transition between standard hours contracts and day contracts.

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\*Paris School of Economics, CNRS, and Institut des Politiques Publiques. Email: thomas.breda@ens.fr.

†Paris School of Economics, and Institut des Politiques Publiques. Email: vladimir.pecheu@psemail.eu.

‡Centre Maurice Halbwachs (CNRS-EHESS-ENS-PSL), and Paris School of Economics. Email: baptiste.roux@psemail.eu